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Message Text

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---------- 096056
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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO
CINCPAC

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E. O. 11652: DECONTROL 4-20-73
TAGS: PFOR JA
SUBJECT: SECRETARY' S FOREIGN POLICY REPORT
CINCPAC FOR POLAD
1. TEXT OF SECTION ON JAPAN IN SECRETARY' S 1972
FOREIGN POLICY REPORT SCHEDULED FOR PUBLIC RELEASE
APRIL 19 FOLLOWS IN FULL:

QUOTE: JAPAN

IN 1972 THE PRESIDENT MET TWICE WITH JAPAN' S
TOP LEADERS, INDICATIVE OF THE IMPORTANCE WE ATTACH
TO WORKING CLOSELY WITH OUR PIVOTAL ALLY IN EAST ASIA.
HIS TALKS WITH PRIME MINISTER SATO AT SAN CLEMENTE IN
JANUARY AND WITH PRIME MINISTER TANAKA IN HAWAII IN
SEPTEMBER FOSTERED GREATER MUTUAL UNDERSTANDING IN
THE POLITICAL AND SECURITY FIELDS AND A BETTER
REALIZATION OF THE NEED TO RESOLVE OUTSTANDING
ECONOMIC ISSUES.

OUR RELATIONS WITH JAPAN ENTERED A NEW ERA ON
MAY 15, 1972. ON THAT DATE OKINAWA AND THE OTHER
RYUKYU ISLANDS WERE RETURNED TO JAPAN AFTER 27 YEARS
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OF U. S. ADMINISTRATION. VICE PRESIDENT AGNEW REPRE-
SENTED THE UNITED STATES AT THE IMPRESSIVE REVERSION

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CEREMONY IN TOKYO. THIS ACTION, THE FULFILLMENT OF AN AGREEMENT REACHED IN 1969 BETWEEN PRESIDENT NIXON AND

PRIME MINISTER SATO, CONCLUDED TWO AND ONE- HALF YEARS OF DETAILED NEGOTIATIONS AND PARLIAMENTARY REVIEW. IT REMOVED THE ANOMALY OF U. S. CONTROL OVER JAPANESE TERRITORY AND NEARLY ONE MILLION JAPANESE NATIONALS. IT CONFIRMED THE PRINCIPLE THAT THE UNITED STATES HAS NO TERRITORIAL AMBITIONS AND FULFILLED THE U. S. PLEDGE, REAFFIRMED BY EVERY PRESIDENT SINCE DWIGHT D. EISENHOWER, TO RETURN THE ISLANDS TO JAPAN.

THE REVERSION DID NOT FUNDAMENTALLY AFFECT OUR SECURITY INTERESTS IN JAPAN. THE U. S.- JAPANESE TIEATY OF MUTUAL COOPERATION AND SECURITY OF 1960 IS SUFFICIENTLY FLEXIBLE AND ADAPTABLE TO SERVE THE NEEDS OF BOTH OUR COUNTRIES IN THIS ERA OF CHANGE. THE MILITARY COOPERATION AND DETERRENT EFFECT PROVIDED FOR IN THE TREATY, INCLUDING THE PRESENCE OF U. S. FORCES IN JAPAN, HAS MADE A SIGNIFICANT CONTRIBUTION TOWARD THE RECENT REDUCTION IN TENSIONS IN EAST ASIA. THE IMPROVED RELATIONS OF BOTH THE UNITED STATES AND JAPAN WITH THE P. R. C. HAVE COME ABOUT IN PART BECAUSE OF THE STABILIZING INFLUENCE OF THE U. S.- JAPAN DEFENSE ARRANGEMENTS.

THE UNITED STATES RECOGNIZES THAT FRICTIONS INEVITABLY WILL ARISE WHERE FOREIGN FORCES ARE STATIONED IN CONGESTED URBAN AREAS. WE CONSULT CLOSELY WITH THE JAPANESE GOVERNMENT ON THESE MATTERS AND MAINTAIN A CONSTANT REVIEW OF OUR BASE REQUIRE- MENTS. AT THE SAME TIME, BOTH THE UNITED STATES AND JAPAN IN THEIR MUTUAL INTEREST EXPECT TO MAINTAIN THE SECURITY TREATY FOR THE INDEFINITE FUTURE.

THE NORMALIZATION OF JAPAN' S RELATIONS WITH THE P. R. C. WAS ANOTHER MAJOR DEVELOPMENT. IT HAS PERMITTED THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE TWO IN SUPPORT OF THE GENERAL TREND TOWARD A LESSENING OF TENSION IN THE AREA. WE ARE
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CONFIDENT THAT IMPROVED RELATIONS BETWEEN THE TWO COUNTRIES WILL SERVE THE INTERESTS OF BOTH OF THEM AND OF OTHER NATIONS IN THE REGION.

U. S.- JAPAN ECONOMIC RELATIONS INVOLVE MASSIVE FLOWS OF GOODS AND CAPITAL. THE UNITED STATES DOES MORE BUSINESS WITH JAPAN THAN WITH ANY OTHER OVERSEAS NATION AND JAPAN IS OUR LARGEST AND FASTEST GROWING

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EXPORT MARKET. THE UNITED STATES SOLD TO JAPAN
4.9- BILLION WORTH OF GOODS IN 1972.

4.9 BILLION DOLS WORTH OF GOODS IN 1972. (FOOTNOTE:
PRELIMINARY ESTIMATES.) JAPAN IS THE LARGEST NATIONAL
MARKET FOR U. S. FARM PRODUCTS: AGRICULTURAL SALES
TOTALED WELL OVER I BILLION DOLS IN 1972 FOR THE THIRD
CONSECUTIVE YEAR. JAPANESE EXPORTS, HOWEVER, TO THE
UNITED STATES CONTINUED TO RISE IN 1972 AT A RATE
EVEN HIGHER THAN OUR EXPORTS TO JAPAN. THE RESULT
IS A MAJOR SOURCE OF CONCERN TO US: A BILATERAL TRADE
DEFICIT OF ABOUT 4.2 BILLION DOLS.

THIS LARGE AND CONTINUING IMBALANCE IS AN IMPORTANT
ELEMENT IN THE OVERALL U. S. TRADE AND PAYMENTS
POSITION. THE GOAL OF REDUCING THE DEFICIT IS BEING
VIGOROUSLY PURSUED AT ALL LEVELS OF THE U. S.
GOVERNMENT. THE JAPANESE GOVERNMENT ALSO RECOGNIZES
THE PROBLEM. THROUGHOUT 1972 IT TOOK STEPS DESIGNED
TO CONTROL ITS GLOBAL TRADE SURPLUS AND TO REDUCE THE
BILATERAL SURPLUSES WITH THE UNITED STATES. THUS A
REAL ACHIEVEMENT IN 1972 WAS THAT BOTH TOKYO AND
WASHINGTON RECOGNIZED THE PROBLEM AND THE NEED FOR
STEPS TO MEET IT.

THIS FORWARD MOVEMENT WAS APPARENT IN SEPTEMBER
DURING THE MEETING IN HAWAII OF PRESIDENT NIXON AND
PRIME MINISTER TANAKA. THE PRIME MINISTER MADE
CLEAR THAT THE JAPANESE GOVERNMENT INTENDED TO REDUCE
THE BILATERAL IMBALANCE TO A MORE MANAGEABLE SIZE
WITHIN A REASONABLE PERIOD OF TIME. THE UNITED
STATES AND JAPAN ALSO REAFFIRMED THE COMMITMENTS OF
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BOTH COUNTRIES TO INITIATE AND SUPPORT MULTILATERAL
TRADE NEGOTIATIONS IN 1973.

THE FEBRUARY 1973 REALIGNMENT OF EXCHANGE RATES--
INCLUDING A 10 PERCENT DEVACUATION OF THE U. S.
DOLLAR AND A FLOAT OF THE JAPANESE YEN-- WAS A MAJOR
STEP TOWARD A RESTORATION OF INTERNATIONAL MONETARY
EHUILIBRIUM. THE NEW RATES, COMBINED WITH FURTHER
MEASURES ALONG THE LINES DISCUSSED BY PRESIDENT
NIXON AND PRIME MINISTER TANAKA IN HAWAII, WILL, IN
TIME, HAVE FAVORABLE EFFECT ON THE BILATERAL TRADE
DEFICIT. STRONG MEASURES MUST BE TAKEN SINCE
NEITHER GOVERNMENT CAN PERMIT A RELATIONSHIP SO VITAL
TO THE PEACE AND STABILITY OF EAST ASIA TO FOUNDER
ON ECONOMIC PROBLEMS.

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PRIME MINISTER TANAKA AND PRESIDENT NIXON ALSO REAFFIRMED THE NEED FOR MUTUAL UNDERSTANDING OF THE

CULTURAL, SOCIAL, AND OTHER UNDERLYING FACTORS IN OUR RELATIONS. NOTEWOITHY WERE THE ESTABLISHMENT IN OCTOBER OF THE JAPAN FOUNDATION FOR INTERNATIONAL CULTURAL EXCHANGE ACTIVITIES AND THE CONVENING IN JUNE OF THE SIXTH U. S.- JAPAN CONFERENCE ON CULTURAL AND EDUCATIONAL INTERCHANGE.

JAPAN' S GROWING ECONOMIC STRENGTH HAS BEEN ACCOMPANIED BY INCREASED JAPANESE ASSISTANCE TO DEVELOPING COUNTRIES. JAPANESE OFFICIAL AND PRIVATE LOANS, GRANTS, AND INVESTMENTS WERE 1,824 MILLION DOLS IN 1970 AND2,138 MILLION DOLS IN 197 L. JAPAN IS ENDEAVORING TO IMPROVE THE CONCESSIONAL TERMS OF ITS FOREIGN AID AND IS CLOSE TO REACHING ITS TARGET OF AID FLOWS EQUAL TO 1 PERCENT OF ITS GNP. BY 1975 IT IS PREDICTED THAT JAPAN' S AID TO DEVELOPING COUNTRIES WILL BE AT LEAST 4 BILLION DOLS.

IN THE SCIENTIFIC FIELD, THE 11- YEAR- OLD COOPERATIVE SCIENCE PROGRAM HAS SO FAR INVOLVED MORE THAN 2,000 SCIENTISTS FROM BOTH NATIONS. THE TWO

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GOVERNMENTS IN 1972 SOUGHT TO IDENTIFY ADDITIONAL ENVIRONMENTAL PROBLEMS FOR JOINT STUDY AND TO STRENGTHEN EXISTING COOPERATIVE PROJECTS ON DEVELOP- MENT OF NATURAL RESOURCES AND MEDICAL SCIENCE. BILATERAL ENVIRONMENTAL COOPERATION WAS SUPPLEMENTED BY MULTILATERAL PROJECTS SUCH AS THE DEVELOPMENT OF LOW POLLUTION POWER SYSTEMS AND EXPERIMENTAL SAFETY VEHICLES. UNQUOTE.

2. REFERENCE TO SEPTEMBER HAWAII MEETING INCLUDED TO HIGHLIGHT PRIME MINISTER TANAKA' S STATED INTEN- TION TO REDUCE BILATERAL IMBALANCE TO MORE MANAGEABLE SIZE WITHIN REASONABLE TIME.

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